United States
Department of Agriculture

Foreign Agricultural Service

October 1987

# Foreign Agriculture

## Algeria:
## Market on the Rise

# Marketing News

**MIAD Confectionery and Bakery Expo Set for May 1988**

Now is the time for exporters and potential exporters to prepare for MIAD '88, the world's largest exposition of confectionery and bakery products. The 13th annual show is scheduled for May 7-11, 1988, in Milan, Italy, and offers a complete range of confectionery and baked goods, plus ingredients, machinery and packaging material. More than 800 exhibitors from over 50 countries are expected to attend the show, which attracts an international audience of importers and exporters, distributors, manufacturers and food chains.

For the second consecutive year, a North American Group Stand will be featured at MIAD. The Stand offers a specially priced package program designed to allow small- and medium-sized companies and state trade associations to participate in the fair at a fraction of the regular cost of exhibiting. For more information, contact the Stand's organizer, Michael Delia of Delia Associates, P.O. Box 338, Route 22 West, Whitehouse, N.J. 08888. Tel. (800) 524-2193. (In New Jersey, call (201) 534-9044.) Telex: 833493. Telefax (201) 534-6856.

**Malaysian Grocery Buyers Seek Western Food Products**

A team of Malaysian buyers from the Cold Storage supermarket chain visited California last summer as part of a buying mission coordinated by the Western U.S. Trade Association (WUSATA). The team met with a number of California's processed foods companies, arranged by the California Department of Food and Agriculture. Jack Parnell, department director, said that although trade with the United States has already been established, this was the first time Malaysia developed a specific buying mission for imports from California and other western states.

"Since Cold Storage is installing a section called the 'New Products Corner from the West' in their stores, they're interested in some of the newer U.S. products that aren't currently on the Malaysian market. It's a great opportunity for California exporters to emphasize the state's variety of agricultural products," said Parnell.

**MEF Sponsors Meat Promotion In Northern Germany**

Consumers in Northern Germany can now enjoy U.S. steaks as a permanent entree at "Block House" steak houses—a 16-restaurant chain in and around the city of Hamburg—due to the support of the U.S. Meat Export Federation.

Over the past few years, Block House has conducted various U.S. high-quality beef promotions, featuring selected cuts of U.S. steak. Steak, including U.S.-style side orders, is offered to customers at a favorable price by means of a special menu insert card which the restaurant prints individually for each promotion.

Evidence of the success of a recent U.S. meat promotion was the fact that 12.5 metric tons of meat—41,000 steaks—were sold within the first three weeks.

**Meat Seminars—Caribbean Style—Attract Buyers**

U.S. meat seminars were conducted by the U.S. Meat Export Federation last summer throughout the Caribbean in the Bahamas, Bermuda, Jamaica, Antigua and Barbados. While MEF has conducted previous seminars in the Caribbean, this was the first time it has held one in Jamaica.

Jeff Savel of Texas A&M University lectured on subjects including sanitation at the retail level, cattle feeding, slaughterhouse procedures, the nutritional value of beef and industry trends. Following the showing of a video, "Producing Wholesome Beef," the Federation conducted a meat-cutting demonstration.

Government officials, local meat industry members and college staff and students in hotel management attended the seminars. At a tasting demonstration following each seminar, participants sampled U.S. striploin, tenderloin and rib-eye steaks.

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# Algeria Is Fast-Growing Market For U.S. Agricultural Products

***By Melvin E. Sims and Anna L. Florey***

Algeria is fast becoming one of the most important growth markets for U.S. agricultural products. Just three years ago, Algeria was rated as a moderate market. But in the past two years, through a combination of wheat sales under the Export Enhancement Program (EEP) and substantial contracts for pulses, U.S. agricultural exports have made great headway into the Algerian marketplace.

The potential for increased U.S. exports is expected to continue in the future as Algerian poultry and livestock industries require more animal feed to meet rising demand for production.

In addition, Algeria is trying to diversify its sources of agricultural imports. This development provides the United States with an opportunity to broaden its trade relations with one of its largest growing markets in Africa.

**Grain Imports Have Boosted Algeria's Export Rank**

With the increase in demand for U.S. grain imports, Algeria has jumped from 37th to 19th among the top markets for U.S. agricultural products. Total U.S. agricultural exports to Algeria were valued at $185.2 million in 1984, a figure which almost doubled to $325.2 million in 1986.

Domestic food production covers less than 40 percent of consumption needs in Algeria. Increases in local grain production are being surpassed daily by a growth in demand as the Algerian population increases.

Black Star

Algerian per capita wheat consumption is among the highest in the world. The staple food is couscous, a lightly ground durum served with a variety of meats and vegetables.

**Algeria Was First EEP Initiative**

With a growth potential in mind, Algeria was the first country made eligible for U.S. exporters to sell U.S. agricultural commodities to under the Export Enhancement Program. The program, announced by USDA in May 1985, was extended by the Food Security Act of 1985 to permit USDA to use up to $1.5 billion worth of Commodity Credit Corporation-owned commodities as export bonuses through fiscal year 1988.

USDA announced that the program will continue under the provisions of the Commodity Credit Corporation Charter Act once the $1.5 billion in funds authorized for the program by the Food Security Act of 1985 are exhausted.

The objective of these export bonuses is to make U.S. commodities more competitive in the world marketplace and to offset the adverse effects of unfair trade practices or subsidies.

As a result of the success of the EEP in Algeria, U.S. wheat exports to that market under the program have tripled in the past two years from 570,000 metric tons in 1985 to almost 2 million in 1986.

**Wheat Sales Opened Doors for Other Products**

Success with U.S. wheat sales has helped open the Algerian marketplace for other U.S. agricultural commodities as well. Other grains and products more recently targeted for export under EEP are wheat and wheat flour, barley and semolina. USDA also has announced initiatives for sales of dairy cattle and table eggs to Algeria.

Other U.S. export assistance programs have been combined with EEP to promote U.S. exports to Algeria. For example, the GSM-102 Export Credit Guarantee Program facilitated the financing of $26.9 million in wheat sales to Algeria in fiscal year 1986, part of it in support of EEP initiatives.

In fiscal year 1987, USDA allocated a total of $469.0 million in credit guarantees under GSM-102 for the sale of agricultural commodities. As of mid-July, Algeria imported $101.8 million worth of wheat and $44.5 million worth of corn under this program.

Other commodities included under the program are cotton ($40 million), vegetable oils ($44 million), protein meals ($31 million), semolina ($30 million), dry beans ($15.0 million), lentils ($14.0 million), tobacco ($10 million), leeks and onions ($4 million), rice ($3 million) and planting seeds ($2 million). Eighty percent of the pulses imported by Algeria are of U.S. origin, although they are purchased in the European market.

The first direct sales of pulses from the United States to Algeria took place in December 1985 and included 8,000 tons of Great Northerns, 7,000 tons of black-eyed peas and 3,000 tons of lentils. Algeria is expected to purchase 60,000 tons of U.S. pulses in 1987.

**Livestock Industry Will Fuel Feed Grain Demand**

In response to the projected demand for feed grains, U.S. exports to Algeria are expected to increase during the next few years. Algeria expects to utilize an increasing amount of feed grains in the livestock industry in the next three years. A campaign is being launched by the Algerian National Office of Animal Feeds (ONAB) to make more feed and forage available to farmers.

Cattle feed output in 1985 totaled 380,000 tons, but ONAB plans to boost production to 5 million tons by 1989. Since feed grain production capacity is not sufficient to meet these goals, many of the cattle feed inputs will have to be imported.

Feed grain requirements also are growing as Algeria strives to become self-sufficient in poultry egg production. ONAB expects table egg production to reach 132,000 tons by 1989.

ONAB estimates the need for corn at 1 million tons by 1989. At this time, the United States is Algeria's largest supplier of corn. During 1985/86, the United States provided about one-half of Algeria's corn imports. This share is expected to rise above 90 percent during 1986/87 with the assistance of $70 million in GSM-102 credit guarantees.

In addition to corn, ONAB also anticipates an increase in demand for other components of animal feed, such as protein meal. Currently, most of this demand cannot be met with domestic production.

**Efforts Include USDA-Industry Projects**

In addition to U.S. export credit assistance programs, FAS is working closely with organizations representing the U.S. agricultural industry, such as the U.S. Feed Grains Council, the Holstein-Friesian Association and the American Soybean Association on promotions in Algeria for U.S. corn, barley, dairy cattle and protein meal.

The Food Security Act of 1985 authorized support funds for market development programs, as well as the Targeted Export Assistance Program. Approximately $9 million is available under the Targeted Export Assistance Program specifically for the promotion of grain, livestock and protein meal exports to Algeria. ■

*Sims is General Sales Manager and Associate Administrator, FAS. Tel. (202) 447-5173. Florey is with the Export Credits Division, FAS. Tel. (202) 382-9219.*

# Cultivating the Iraqi Market



*Despite its involvement in a length, costly war with Iran, Iraq is a promising market for U.S. food and fiber. In an interview with* ***Foreign Agriculture,*** *Larry Panasuk, the U.S. agricultural trade officer in Baghdad, encourages U.S. exporters to take advantage of this untapped potential in the Middle East.*

**Foreign Agriculture: How large is the Iraqi market?**

**Panasuk:** Iraq has about 16 million consumers living on a land mass somewhat larger than California. Its agricultural imports were valued at about $2 billion last year and covered a diverse spectrum—everything from grains and feed to high-value commodities like textiles, leather and soft-drink concentrates.
The United States, which supplies about one-quarter of the import demand, is doing very well this year with exports expected to reach the $700-million level—up $300 million from last year.

*"Business in Iraq is like business anywhere else in the world—personal contact is essential."*

**FA: Who shares the market with the United States?**

**Panasuk:** Europe was a significant supplier; but since the Europeans have cut off credit, Iraq has been coming to the United States more frequently. Australia and Canada compete with us for the wheat market. Thailand competes for the rice market, but we have most of it—in fact, Iraq is our largest rice customer.

**FA: You mentioned credit. Just how important is it?**

**Panasuk:** At the moment, credit is the name of the game. Much of what we sell to Iraq is under the GSM-102 short-term credit guarantee program or the GSM-103 intermediate credit guarantee program.

These credit programs are designed to help boost U.S. exports by guaranteeing repayment of loans made to countries that purchase U.S. farm products. The credit guarantee programs can also help developing nations make the transition from concessional financing to cash purchases.

I do think that Iraq has the potential of becoming a cash market the way so many U.S. customers have. Iraq sits on one of the world's largest oil reserves, so it is a significant exporter of oil. And it continues to develop that resource.

Right now, credit is important mainly because the war is such an economic drain. Where Iraq once had $50 billion in monetary reserves, it now owes the world nearly that much.

**FA: Iraq has a centrally planned economy. How does that affect someone who wants to do business there?**

**Panasuk:** The state is the principal buyer, so exporters usually conduct their business by contacting the various state bureaus established for importing specific commodities [see box].

They also can telex me—the telex is the most reliable communication between our countries. As the agricultural trade officer, I know the contacts, and I can put U.S. exporters in touch with the proper state buyers.

I should add that Iraq is somewhat unique among nations with centrally planned economies. Unlike communist countries, Iraq still has some elements of a private sector.

The way the private-sector system works in Iraq is that the state issues import licenses to private buyers. These buyers normally would be the contacts for U.S. exporters. However, because Iraq has used so much foreign exchange to finance the war, the central government has insisted that all import licenses come through state channels. That has all but stopped private-sector importing.

**FA: Since Iraq has been involved in a war, do you find U.S. exporters are reluctant to travel there?**

**Panasuk:** The U.S. news media may have left people with the impression that Baghdad is a hostile place, an active war zone. That's simply not the case. I can't say that it's totally without risk, but there are certainly far more dangerous places in the world.

As a rule, terrorism and crime are lower in centrally controlled countries than they are in freer environments. The presence of the war is apparent mostly in terms of food procurement—some food items are scarce.

*"Iraq is a market with tremendous potential and not just for bulk goods."*

The people that I meet with in the state buying agencies are well educated and well traveled, people who relate very easily and make foreign guests feel at home.

**FA: Would you encourage U.S. exporters to get involved in Iraq?**

**Panasuk:** Definitely. But they should be prepared to spend some time in Baghdad. Business in Iraq is like business anywhere else in the world—personal contact is essential. It is time-consuming to begin with, but I'm convinced that it is worth the effort.

## Agricultural Trade Contacts In Iraq

Exporters interested in exploring the opportunities in Iraq can contact the appropriate Iraqi state buying groups within the three departments involved with trade—the Ministries of Agriculture, Industry and Trade. Or, they can contact the U.S. Agricultural trade office at:
Agricultural Trade Office
American Embassy—Baghdad
c/o Department of State
Washington, D.C. 20520

### Ministry of Agriculture

Andalus Square - Near Novotel Hotel
Baghdad, Iraq
Tel:718-5100
Telex: 212222 ZERAA ISLAH IK
Cable: ZERAA ISLAH, Baghdad

### Feed

State Establishment for Feed (Supervises operation and production of many feed producing plants in various parts of the country.)
P.O. Box 17 New Baghdad
Fudheliyah, New Baghdad - Mashtal, Iraq
Tel: 751-3339 or 751-5669
Telex: 212634 ALAF IK - 212345 ALAF IK
Cable: ALAF, BAGHDAD

### Poultry

State Establishment for Poultry - Northern Zone (Supervises operation of poultry projects which produce poultry, hatching eggs and baby chickens in the northern part of the country.)
P.O. Box 9 Arbil
Salahuddin Street
Arbil, Iraq
Tel: 0665-2096 or 0665-20244
Telex: 212223 YAKTEEN IK (Attn: Poultry Northern ) - 218508 SORAN IK

State Establishment for Poultry - Central and Southern Zones (Supervises the operation and production of poultry projects in central and southern parts of the country; also develops the new poultry farms in various parts of Iraq.)
P.O. Box 431 Zaáfaraniyah
Baghdad, Iraq
Tel: 773-0381-6 or 773-2245
Telex: 212223 YAKTEEN IK (Attn: Poultry Central)

### Agricultural Trading

Iraqi Company for Agricultural Products Marketing (ICAPM) (Mixed sector company trading in agricultural commodities. Also imports beef.)
P.O.. Box 5368 Al-Rasheed, Baghdad
Tel: 020-242931-2 (Operator) or 020-24259 82 (Imports Manager)
Telex: 213942 ICAPM IK

State Establishment for Agricultural Supplies (Imports feed grains, planting seeds, agricultural machinery and supplies, gardening supplies, fertilizer and animal health products.)
P.O. Box 26028
Waziriyah, Palestine Street
Baghdad, Irqaq
Tel: 425-0231-4 or 422-3974
Telex: 212680 TRACOM IK
Cable: BULDOZERAT BAGHDAD

### Animal Services

Office of Animal Resources Services (Imports dairy cattle; operates and supervises state farms for dairy cattle and sheep, slaughterhouses; provides services for animal husbandry projects and animal health.)
Agricultural Building
Al-Khir Bridge
Al-Nisoor Square
Baghdad, Iraq
Tel: 541-2932 or 541-2695 or 541-8052
Telex: 212488 HAYWANIYA IK

### Plant Protection

Office of Plant Protection (Responsible for protection and developing plants; also in charge of agricultural aviation.)
Agri-Aviation Building, Abu-Ghraib
Baghdad, Iraq
Tel: 511-0254 or 511-0230
Telex: 212222 ZERAA IK (Attn. Plant Protection)

Let me give you an example. I had been trying for two years to get a representative from the wood products industry interested in this market. It came about with difficulty, but one exporter took the time, came to Baghdad and met the people two or three times. He's now sitting on a $20-million contract.

Cotton is another success story. I urged my Iraqi contacts to keep a close watch on the U.S. cotton situation because changes in U.S. farm programs were going to make U.S. cotton more competitive. I then telexed the Cotton Council in the United States, and they carried the ball from there, arranging for meetings in the States. The result was that U.S. cotton broke into the Iraqi market for the first time with $12 million worth of sales.

Leather exports, valued at $8 million, also were new-to-market last year. Other successes included the sale of 6,000 head of dairy heifers and 60,000 tons of broilers. Right now we are working on a sale of 189 million table eggs.

Much of the success has been made possible by the Export Enhancement Program. That program uses Commodity Credit Corporation commodities as subsidies to help make U.S. products more competitive in the world marketplace and to offset the adverse effects of unfair trade practices or subsidies of other countries.

Probably the program's single most dramatic effect was in the flour market. Two years ago, the European Community held the Iraqi market; now it's entirely ours.

**FA: How much of a role does market development play in a centrally planned economy such as Iraq?**

**Panasuk:** Industry involvement, and not just in promotion, is extremely important to develop the market. The two commodity trade associations most involved in the Iraqi market are the Rice Council for Market Development and U.S. Wheat Associates, Inc.

Both organizations bring in technical experts to look at things such as storage capabilities and processing, and then offer help through technical training. Since Iraq has been a closed society until recent

**Horticulture and Forestry**

Office of Horticulture, Forestry and Pastures (Supervises and operates a network of experimental stations in the country. Also responsible for improving forest land and pastures.)
P.O. Box 29037
Za'afaraniyah
Baghdad, Iraq
Tel: 773-0611-4
Telex: 212222 ZERAA IK (Attn: Horticulture & Forestry)

**Ministry of Industry**

(Responsible for cotton and wool.)
P.O. Box 13
(Nidhal Street, Sabawi Square)
Baghdad, Iraq
Tel: 886-7611
Telex: 212249 SOFTI IK

**Dairy Products**

State Enterprise for Dairy Products (SEFDP)
Tel: 511-2216-8
Telex: 212210 ALBAN IK

**Vegetable Oils**

State Establishment for Vegetable Oils (Produces palm oil and stearin sunflower oil, toothpaste, ghee, detergents, soaps and chemicals for cleaning.)
Tel: 718-2450 or 719-2306-8 or 718-4052
Telex: 212771 ZUYOUT IK - 212221 ZUYOUT IK

**Tobacco**

Iraqi Tobacco State Enterprise
Tel: 776-0821-3 or 776-1061

**Leather**

State Establishment for Leather Industries
Tel: 776-5081-5 or 776-6030
Telex: 212237 JILOOD IK

**Soft Drinks**

State Enterprise for Soft Drinks
Tel: 719-5021 or 719-9383
Telex: 212235 ENTAASH IK

**Miscellaneous**

National Food Industries (Mixed sector that manufactures and produces soft drinks, juices, jams and different ready-made food items; also imports raw materials.)
Tel: 773-0311
Telex: 214212 NFI IK

**Ministry of Trade**

State Company for Grain Trading (Imports and distributes wheat, rice and barley.)
Tel: 416-8121 or 416-4424 or 416-1256
Telex: 212225 SILOWAT IK

**Wheat Flour**

General Company of Flour Mills (Imports, distributes and produces wheat flour. Also supervises the operation of private sector flour mills.)
Tel: 521-4001 or 521-6647 or 522-2845 or 522-0979
Telex: 214141 MILL IK
Director General: Mr. Issam Al-Talib
Imports Manager: Mr. Shamkhi Al-Ali

**Baking Additives**

State Company for Bakeries and Ovens (Imports baking additives, produces bread and supervises all the public and private bakeries in Iraq.)
Tel: 88-7161
Telex: 212962 EASHA IK

**Wood Products**

State Trading Company for Steel and Timber
Telex: 212289IK

**Miscellaneous**

State Company for Foodstuff Trading (Imports and distributes chicken, beef, eggs, legumes, sugar, tea, coffee, canned and preserved food, jute sacks, cheese, spices and charcoal.)
Telk: 718-6744 or 718-6733
Telex: 212232 MUBAYAAT IK, 212608 CFOOD IK

years, it really values contact with U.S. technology. The Iraqis are anxious to learn new ways of doing things, and they also just want to get to know us.

That's a beautiful situation for the United States. The Iraqis are interested in our technology and our way of doing business with the private sector. Plus, the Iraqis like the high quality of Western goods; they have become disillusioned with goods from the Eastern bloc nations.

I'm convinced that they want a long-term relationship with us. The contact that industries make is vital because they're training the younger generation who are the ones who will turn to the United States for future needs.

**FA: How would you sum up future market potential in Iraq?**

**Panasuk:** Right now, I don't see many difficulties. Of course, competition is going to continue to be a factor, especially for wheat. In Iraq, wheat can be close to a 3-million-ton market.

Subsidies could be another possible concern, but I still think we will be able to beat the competition. Beyond those two, I don't see any real limiting factors aside from U.S. business not taking the time to cultivate the market. We do need more U.S. presence, more willingness to get to know the market and the people.

When Westerners hear phrases like "centrally controlled economy" and "closed society," I feel they tend to forget that the people of that particular country may not be all that different from consumers at home.

The Iraqis have high goals, they love life and they love the things that money can buy. That makes it a market with tremendous potential and not just for bulk goods. I am certain we can go in there with more high-value commodities like we did last year. ■

*The interviewee is the agricultural trade officer in Baghdad, Iraq. Telex: 213966 USFCS IK or 212287 USINT IK (Sunday through Thursday).*

# Foreign Sales Agents Are Key to Successful Exporting

***By Bruce J. Reynolds and Alan J. Malter***

The performance of a firm's overseas sales agents can have a greater impact on its exports than changes in exchange rates, tariffs and other factors that are publicly reported and at the center of policy debates.

An agent's dedication to selling a product is particularly important for firms that directly export high-value food products. Normally, significant dedication by agents is an attribute that develops over time, but occasionally the quality of service deteriorates or never reaches the level desired by an exporter.

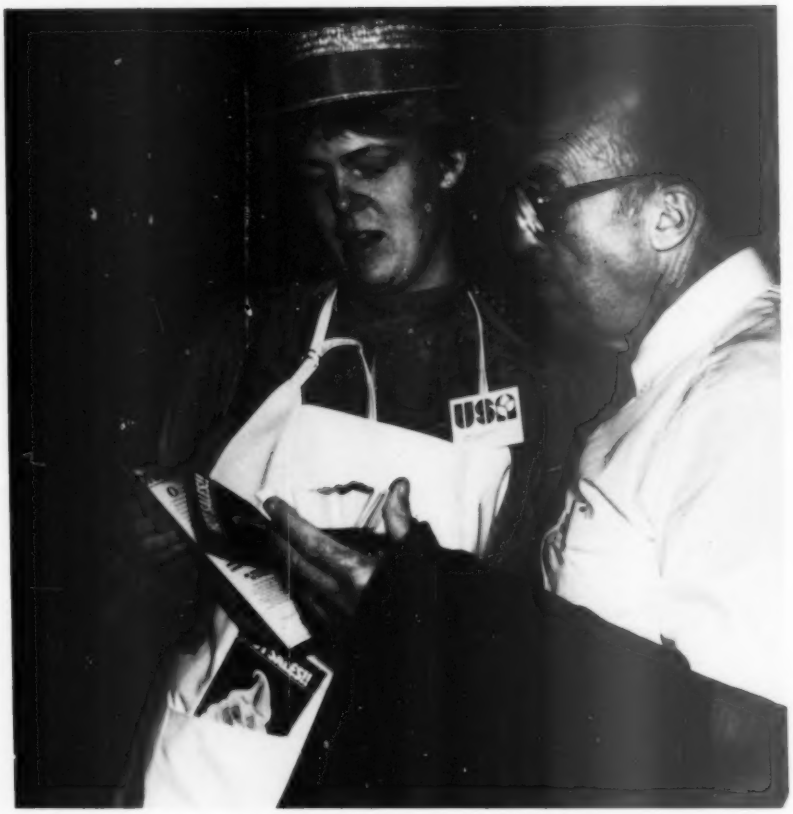
In these cases exporters face a decision to switch agents. Some problems can be avoided by taking a more carefully planned approach to identifying and selecting prospective agents.

**How To Locate an Agent**

Many firms locate agents through informal channels such as trade shows, customers or other business connections. Some overseas importers actively seek agent status and travel to the United States to visit high-value product exporting firms.

However, when exporters have few leads or want to supplement their contacts, they can turn to the Foreign Agricultural Service. Lists of foreign importers are available from the Agricultural Information and Marketing Service (AIMS) program of the Foreign Agricultural Service and from U.S. agricultural attaches, counselors or trade officers located in export markets.

The lists of importers are primarily compiled from foreign inquiries about sources of U.S. high-value food products. They comprise a wide range of different types of buyers, including some that do not offer agent services.



Agricultural attaches have more detail on individual buyers and know which ones are functioning as import agents. However, it is not possible to maintain complete lists of all potential candidates for providing agent representation.

New firms regularly enter while others exit the market for supplying agent services. There can also be high caliber agents who have not yet had experience with high-value food products, but are interested in marketing such products.

In short, a comprehensive effort to identify the best pool of agents should include an examination of information available in the United States, such as that provided by AIMS, and a commitment of adequate time to overseas travel.

**Learn the Market**

Agents have different strengths and weaknesses in relation to any given type of high-value food product and the particular approaches to marketing that it needs. Before selecting agents, exporters should spend time overseas evaluating the market and developing some preliminary strategies.

Although such planning may seem premature when not developed in consultation with a local agent, it serves to improve the ability of exporters to screen and select a candidate that best fits the marketing needs of their products.

The largest import agents provide the most certainty of being able to achieve a level of volume that is adequate to support trade in the products of a would-be exporter.

However, smaller agents should not be ignored because many imported high-value food products will not sell in the mass market. Some of the smaller agents specialize in market niches that might be well suited to certain products.

When a product is new to a foreign market, there is often significant sales potential if adequate promotion is made. An exporter should then place high priority on finding an agent with experience in introducing and promoting products that have not been widely consumed in that market.

Although exporters do not want to commit their products to a limited channel of distribution, they should have some direction or plan as to what they expect to accomplish in the market before recruiting an agent.

For example, a limited presence in some markets might be all that an exporter could expect for a product. But such a presence may need to be properly targeted in order to be effective.

An exporter may find that having at least a small amount of sales in a particular country provides a source of information for monitoring the long-term growth of a market and some amount of product visibility.

A strategy for selecting an agent in this case might be to contact the import division of a supermarket chain. Although the use of supermarkets as agents has a disadvantage in limiting distribution to their own outlets, they can provide least-cost access to the market. In this way, incidental fees for market access, such as obtaining retail shelf space, can be avoided.

**Agent Diversification**

There are cases of exporters having separate agent representation for different high-value food products. Although such arrangements are uncommon, they allow exporters to accomplish more specialization in marketing their different products or brands.

In addition, such arrangements generate more market information than single-agent representation, and facilitate better monitoring of their performance.

The advantage of single-agent representation is that it helps build loyalty. Incidences of separating agents along product lines or brands may not result from deliberate planning, but from having originally made inadequate agent selection or as a consequence of mergers between exporting firms.

Agent diversification is often feasible when working with relatively small agents, but not when dealing with large, influential firms. In addition, such decisions are more palatable when a second agent is representing a brand or product that is new to the foreign market.

**Agent Commitment**

Most arrangements between exporters and agents are conducted in a buy-sell manner. The fact that agents are independent entrepreneurs, who are trading on their own account, means that they can be expected to be highly motivated and aggressive sales people.

However, a problem of adverse selection can arise because some importers might agree to provide agent representation for a product, without indicating their doubts about its sales potential and their disinclination to promote it adequately.

There is no significant cost to agents from entering into such agreements, and incentives can exist for them to indiscriminately add product lines.

This kind of situation is often seen when sales efforts on different products of other export clients create higher earnings than incremental effort on any one product.

However, this does not imply that agents who represent many clients and products are less conscientious than smaller firms. To the contrary, there could be economies of size advantages in marketing high-value food products. Many exporters, in fact, prefer working with large importers.

There is no easy way to insure against adverse selection of an agent. Exporters can improve their decisions by not rushing into agreements. Generally, they should not try to complete the business of selecting an agent before returning home.

It is sometimes possible to screen candidates by making it clear that selection of an agent will be made at a later time.

Importers with confidence in the sales potential of a product will pursue the exporter, and may want to visit the United States in order to secure an agent arrangement.

This is one way to induce prospective agents to provide an accurate indication of their commitment to promote and sell the particular products of a client exporter. ■

*Reynolds is with USDA's Agricultural Cooperative Service. Tel. (202) 653-6812. Malter is an economist at the University of Illinois at Champaign-Urbana.*

# Italy's Booming Economy Signals Market Opportunities

*Italy's booming economy and fast-paced lifestyles may hold good marketing opportunities for U.S. high-value food products. This month,* ***Foreign Agriculture*** *talks with Mattie Sharpless, U.S. agricultural counselor in Rome, about the potentials of the Italian market.*

**Foreign Agriculture: Can you give us a brief overview of the Italian market?**

**Sharpless:** Italy is a major importer of agricultural products—some $17 billion a year. As a member of the European Community (EC), its imports come largely from within the Community. That is the stiffest competition we face—intra-Community trade.

Italy can get almost any product the United States can supply from EC member states. In fact, half of Italy's imports come from other EC countries. About 6 percent are from the United States, with the remainder primarily from Israel, South Africa, Canada and several North African countries.

**FA: What agricultural products does the United States ship to Italy?**

**Sharpless:** In 1986, the United States exported $750 million worth of agricultural products to Italy, primarily tobacco, soybeans and products, cotton and certain types of grain which Italy blends with its own grain for bread.

U.S. exports were nearly $1 billion several years ago, but the strength of the dollar drove the total down. We believe the export total will increase, but since U.S. exporters face higher shipping costs than Italy's other suppliers, U.S. exporters must compete on the basis of higher quality.

**FA: What type of promotional efforts do U.S. exporters conduct in Italy?**

**Sharpless:** Every year U.S. exporters participate in the Verona Agricultural Trade Fair, a livestock-oriented show which is the largest trade fair in Italy.

Italian Government Travel Official Photos

Italy's livestock production is not well developed and producers face animal disease problems. Consequently, U.S. exporters primarily promote embryos and semen exports. Certain types of seed and soybean products for feed also are promoted at the show.

**FA: What do the Italians think of U.S. livestock products?**

**Sharpless:** Everyone you talk to in Italy wants to come to the United States and eat a steak. However, the size of steak favored by U.S. consumers is too large for European consumers. Europeans also don't like to eat meat with bones.

Since marketers have to please consumers, the type of cut and the way it's packaged is a key to selling meat in Italy. Also, with the bone in, it becomes more expensive to ship.

**FA: What other kinds of products should U.S. exporters consider promoting?**

**Sharpless:** Food products like walnuts and pecans, and ready-to-eat items are good examples. Italians are really gearing toward snack-type food. They do a lot of eating out of hand. It's common to see Italians eating lunch on the street while they're walking.

In cities, you find counters on every corner selling sandwiches. Italians tend to eat lunch at these snack bars, often standing. For dinner, however, they sit down and enjoy a nice, leisurely meal for a few hours.

**FA: How should U.S. firms approach the Italian market?**

**Sharpless:** To do business in Italy, it helps to work through an importer distribution system because Italy does not have large chains like the United States. Frequently these firms will come to our office to ask for help in finding a U.S. supplier.

There's a great need for personal contact when doing business with the Italians. To get established in the market—and to increase sales—trade teams need to meet with Italian buyers and explain U.S. products.

**FA: Does personal contact really make a big difference?**

**Sharpless:** It's important to maintain that personal contact to be sure of what the importers want and when they want it. Follow-through is equally important.

So often we hear complaints that after U.S. trade teams make the initial contact, the importers don't hear from them any more.

**FA: Are Italian consumers adventurous?**

Italian Wine Center

**Sharpless:** Consumers in Italy, as in other countries, want to be aware of what new products are coming out. Italian merchants want to bring new products into the market.

**FA: Is there potential for increasing U.S. exports to Italy?**

**Sharpless:** When you have a market that imports $17 billion a year, there is no doubt there is potential. The Italian economy is booming right now and is one of the fastest growing in Europe.

The Italians don't mind spending money to enjoy themselves. They seem to have an attitude that life is to be enjoyed. And they do.

As their incomes increase, there's certainly going to be potential to get high-value products into the market. We just have to find the best way to get the door open a little wider. ■

# U.S. Exporters Keep Eye On Malaysian Livestock Growth

*By Frank J. Tarrant*

Although Malaysia's livestock industry has been overshadowed by the huge estate sector of palm oil, rubber and cocoa production during the past two decades, the country's livestock output constitutes about 13 percent of total agricultural output.

The livestock market is of particular interest to U.S. exporters because Malaysia must import virtually all of its feed needs, such as corn and soybean meal, and most of its livestock breeding stock.

Livestock production and, by extension, feed imports have expanded considerably during the past decade and further growth is expected.

The broiler and egg industries are the most important contributors to the livestock sector in Malaysia in terms of value of production. Currently, the broiler industry supplies more than half of the country's meat demand.

Pork production also is expanding rapidly and accounts for about one-third of Malaysia's meat supply. However, further expansion of the industry is threatened by problems associated with the disposal of swine waste, a particularly sensitive issue in this predominantly Muslim country.

The cattle sector is still relatively small and undeveloped, with the population of cattle remaining stagnant.

Despite government efforts, expansion of the cattle sector will be minimal unless measures are taken to reduce imports of inexpensive beef and dairy products.

**Poultry, Pork Production Leads Way**

The pig and poultry industries are relatively well developed and have the capacity to meet increased domestic consumption. The buildup of integrated farms and modern processing plants is accelerating, though at a modest pace.

Poultry farming is one of the fastest growing sectors in the Malaysian agricultural sector. During the past three decades, the poultry industry has evolved from traditional backyard operations into large, sophisticated commercial farms.

This rapid development is attributed to the replacement of local stock with high-quality breeds from Europe, the United States, Canada and Australia.

**Poultry Consumed by All Groups**

Poultry meat comprises roughly two-thirds of the total livestock meat consumption. Unlike pork and beef, poultry meat is consumed by virtually all of the ethnic groups in Malaysia—Malay, Chinese and Indian.

Competitive prices, plentiful supplies and rising disposable incomes are responsible for the steady increases in per capita consumption for the past two decades.

Poultry consumption is expected to continue to register healthy growth rates for the near future. The emergence of fast-food restaurants also has created a significant increase in the demand for chicken meat.

**Sharp Rise in Pig Numbers**

As with the poultry sector, Malaysia's pork industry has expanded rapidly during the past three decades.

The country's pig population increased dramatically from 450,000 in 1960 to 725,000 in 1979 and to 1.5 million in 1985. Much of the progress can be attributed to the import of superior breeding stock and improved management techniques.

Small-scale subsistence farms are steadily being replaced by large intensive operations.

In another step toward upgrading the quality of pork, Malaysia held its first National Barrow Show in 1985. The show, sponsored by the American Soybean Association and the U.S. Feed Grains Council, provided Malaysian farmers with

standards of performance that help them identify the strengths and weaknesses of their animals.

In Malaysia, pork consumers are predominantly Chinese, as Malays (who are Muslims) abstain from pork due to religious reasons. About half of the remaining non-Muslim community is vegetarian. More than 95 percent of the pork is marketed to consumers as unprocessed pork.

**Most Processed Meats Are Imported**

Local meat processing is minimal so domestic demand for processed meat products is largely met by imports. Canned products, particularly pork, are popular import items.

At this juncture, local manufacturers still cannot match the quality or price offered by other competitors such as the United States, China, Denmark, Hong Kong and Taiwan.

The potential for further processing of poultry into value-added products has not been fully tapped. With the present marketing channels, poultry processors saddled with high overhead costs find it difficult to compete against sellers of live chicken in local, open-air markets.

In order to improve health and sanitary conditions, the government is considering ways to eliminate sales of chickens in these markets, a move that could provide a boost to the processing sector.

**Production Outlook Is Bright**

The Malaysian livestock industry is expected to continue expanding in the coming years. Production of poultry meat, at 115,000 tons at the beginning of this decade, is projected to rise to 280,000 tons by 1990 and 350,000 tons by 1995. Pork production, which stood at 122,000 tons in 1980, is projected to reach 184,000 tons by 1990 and 217,000 tons by 1995.

Self-sufficiency in beef production has been declining steadily over the past decade, and will meet only one-third of the projected consumption by the year 2000. Feed demand, and inevitably imports, will grow as well.

Traditionally, domestic production of animal feeds has failed to keep pace with demand, leading to substantial and growing imports of animal feed ingredients.

In 1985, imports of major feed ingredients exceeded 1.4 million tons valued at around US$180 million. The large feed bill is a major concern and has forced the government to examine the possibility of growing more feeds locally.

**Problems of Using Local Feeds**

The extent to which raw feed ingredients can be produced locally depends largely on their comparative advantage over such well-proven crops as rubber, oil palm and cocoa, as well as their competitive position vis-a-vis imported feeds.

So far, traditional estate crops are still more lucrative than animal feed crops, such as corn or soybeans.

A potential option in overcoming the high cost of imported feeds is increased use of such agricultural by-products as palm kernel meal, cocoa pods, rice straw and pineapple bran.

While most of these by-products have good potential as feed for cattle, further processing is required to make them suitable for pigs and poultry. However, additional processing means extra costs, which reduces their competitiveness against imported ingredients.

**Feeding Practices Improved**

In addition to the increase in feeds corresponding to higher poultry and pig numbers, improved feeding practices also have contributed to an expansion in imported feeds, particularly corn and soybean meal.

As backyard operations give way to more modern systems, junk feeds have been replaced by feed formulations based on established nutritional guidelines.

Large feed mills can import in bulk, thus reducing handling and transport costs, and further contributing to the expansion in corn and soybean meal utilization and imports.

These trends are reflected in sharper increases in corn and soybean meal usage compared with increases in pig and poultry meat output.

For example, poultry and pig output has increased 137 percent and 111 percent, respectively, since 1975. Meanwhile, corn and soybean meal consumption has experienced substantial growth, increasing 374 percent and 282 percent, respectively.

**Outlook for U.S. Commodities**

The outlook for U.S. exports of corn and soybean meal to Malaysia is not overly promising at the moment. However, should present trends continue, it is possible that the United States will supply a portion of Malaysia's corn and soybean/soybean meal needs within two years.

The major constraint to larger imports of U.S. corn at this time is the inability of Malaysian importers to absorb extremely large shipments needed to keep shipping costs competitive. Importers acquiring Thai corn can keep financing costs to a minimum.

There also is some reluctance by Malaysian farmers to use U.S. corn because it does not have the same characteristics (big kernels, bright yellow color) as Thai corn. But large feed compounders are aware of the nutritional aspects of U.S. corn and would use it if the economics were attractive.

In the soybean market, the United States lost its status as the largest supplier to Malaysia to China in 1984. However, as China's domestic feed needs increase, some traders have predicted the Chinese may be out of the soybean and/or soybean meal export market within three years.

Therefore, it is possible that the United States will once again supply Malaysia's soybean needs, assuming of course, that U.S. prices are competitive with those of Brazil and Argentina. ■

*The author is the U.S. agricultural attache in Kuala Lumpur.*

# Fact File:

## A Glossary of Transportation Terms

**Air way bill**—A bill of lading that covers both domestic and international flights transporting goods to a specified destination. This is a non-negotiable instrument of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed and obligates itself to carry the consignment to the airport of destination according to specified conditions.

**Alongside**—A phrase referring to the side of a ship. Goods to be delivered "alongside" are to be placed on the dock or barge within reach of the transport ship's tackle so that they can be loaded aboard the ship.

**Bill of lading**—A document that establishes the terms of a contract between a shipper and a transportation company under which freight is to be moved between specified points for a specified charge. Usually prepared by the shipper on forms issued by the carrier, it serves as a document of title, a contract of carriage and a receipt for goods.

**Bookings**—An arrangement with a steamship company for the acceptance and carriage of freight.

**C & F—"Cost and freight."** A pricing term indicating that the cost of the goods and freight charges are included in the quoted price; the buyer arranges for and pays insurance.

**Charter party**—A written contract, usually on a special form, between the owner of a vessel and a "charterer" who wants use of the vessel or a part of its freight space. The contract generally includes the freight rates and the ports involved in the transportation.

**C & I—"Cost and insurance."** A pricing term indicating that the cost of the product and insurance are included in the quoted price. The buyer is responsible for freight to the named port of destination.

**C.I.F.—"Cost, insurance, freight."** A pricing term indicating that the cost of the goods, insurance and freight are included in the quoted price.

**Clean bill of lading**—A receipt for goods issued by a carrier that indicates that the goods were received in "apparent good order and condition," without damages or other irregularities.

**Common carrier**—An individual, partnership or corporation that transports persons or goods for compensation.

**Dispatch**—An amount paid by a vessel's operator to a charterer if loading or unloading is completed in less time than stipulated in the charter party.

**Dock receipt**—A receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities.

**F.A.S.—"Free alongside."** A pricing term indicating that the quoted price includes the cost of delivering the goods alongside a designated vessel.

**F.I.—"Free in."** A pricing term indicating that the charterer of a vessel is responsible for the cost of loading and unloading goods from the vessel.

**F.O.—"Free out."** A pricing term indicating that the charterer of a vessel is responsible for the cost of loading goods from the vessel.

**F.O.B.—"Free on board."** A pricing term indicating that the quoted price includes the cost of loading the goods into transport vessels at the specified place.

**Force majeure**—The title of a standard clause in marine contracts exempting the parties for nonfulfillment of their obligations as a result of conditions beyond their control, such as earthquakes, floods or war.

**Foul bill of lading**—A receipt for goods issued by a carrier with an indication that the goods were damaged when received.

**Inland bill of lading**—A bill of lading used in transporting goods overland to the exporter's international carrier. Although a **Through bill of lading** can sometimes be used, it is usually necessary to prepare both an inland bill of lading and an **Ocean bill of lading** for export shipments.

**Marine insurance**—Insurance that compensates the owners of goods transported overseas in the event of loss that cannot be legally recovered from the carrier. Also covers air shipments.

**Marking (or marks)**—Letters, numbers and other symbols placed on cargo packages to facilitate identification.

**Ocean bill of lading—A Bill of lading (B/L)** indicating that the exporter consigns a shipment to an international carrier for transportation to a specified foreign market. Unlike an **Island B/L**, the **Ocean B/L** also serves as a collection document. If it is a "straight" **B/L**, the foreign buyer can obtain the shipment from the carrier by simply showing proof of identity. If a "negotiable" **B/L** is used, the buyer must first pay for the goods, post a bond or meet other conditions agreeable to the seller.

**On board bill of lading (B/L)—A Bill of lading** in which a carrier certifies that goods have been placed on board a certain vessel.

**Open insurance policy**—A marine insurance policy that applies to all shipments made by an exporter over a period of time rather than to one shipment only.

**"Order" bill of lading (B/L)**—A negotiable **Bill of lading** made out to the order of the shipper.

**Packing list**—A list showing the number and kinds of items being shipped, as well as other information needed for transportation purposes.

**Parcel post receipt**—The postal authorities' signed acknowledgment of delivery to receiver of a shipment made by parcel post.

**Perils of the sea**—A marine insurance term used to designate heavy weather, stranding, lightning, collision and sea water damage.

**Ship's manifest**—An instrument in writing, signed by the captain of a ship, that lists the individual shipments constituting the ship's cargo.

**Steamship conference**—A group of steamship operators that operate under mutually agreed upon freight rates.

**Straight bill of lading**—A non-negotiable **Bill of lading** in which the goods are consigned directly to a named consignee.

**Tare weight**—The weight of a container and packing material without the weight of the goods it contains.

**Through bill of lading**—A single **Bill of lading** converting both the domestic and international carriage of an export shipment. An **Air waybill,** for instance, is essentially a through bill of lading used for air shipments. Ocean shipments, on the other hand, usually require two separate documents— an **Inland bill of lading** for domestic carriage and an **Ocean bill of lading** for international carriage. **Through bills of lading** are insufficient for ocean shipments.

**Wharfage**—A charge assessed by a pier or dock owner for handling incoming or outgoing cargo.

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*This glossary is adapted and reprinted with permission from **A Basic Guide to Exporting,** published by the U.S. Department of Commerce.*

# Export Services Help U.S. Companies Reach Overseas Markets



*By Lynn Abbott*

Exporting. To a small- or medium-sized company with no experience in selling overseas, it can seem to be an overwhelming prospect. Yet there is a wide range of services available from both U.S. and state governments to assist U.S. companies.

**FAS at Your Service**

The Foreign Agricultural Service's (FAS) High-Value Products Division provides potential exporters of high-value products with information and services to help them reach overseas markets.

The division can assist a company with finding a suitable market for its products and with making contacts there. The division also can help an export firm evaluate the acceptability of its products in overseas markets.

The division operates the Agricultural Information and Marketing Services (AIMS) program to help exporters locate foreign buyers. Through AIMS' telecommunications network, the division compiles commercial and statistical information regarding overseas buyers.

**Wide Range of Information Available**

A company that contacts the division for information will receive an AIMS packet which describes the services available. Commercial information includes trade leads and buyer lists. Trade leads are released in a weekly publication called *Export Briefs*, available through computerized mail and electronic dissemination.

*Buyer Alert* and *Contacts* are two AIMS publications that advertise U.S. products in overseas markets. They are distributed to as many as 35,000 foreign buyers. Lists are available for every country where there is trade, as well as for all commodities.

Statistical information is published by AIMS in *International Marketing Profiles*. These profiles of marketing trends

overseas contain five years of country data, including the value and volume of trade. They answer the questions of who is buying what, and where, as well as who is selling it.

**Products Reviewed for Acceptability**

The division offers a label review service, which can be vitally important to companies moving into export markets and exhibiting at trade shows. The division examines the label ingredients on products for acceptability under food laws of target countries. FAS also may negotiate with foreign countries to get some restrictive laws changed.

It is important for the exporter to establish relationships with both the importer and the distributor in the foreign country. A relationship with one or the other is seldom adequate for conducting business overseas.

Many U.S. export deals have died because the exporter failed to make the two contacts. Only with vertically

integrated importers can an exporter afford not to establish two separate connections.

**Research Overseas Markets**

Exporting requires time, effort and research. Some overseas markets are extremely sophisticated and may require even more research and development than the domestic market.

For example, if a U.S. potato chip manufacturer is looking at the United Kingdom as a potential market, the company had better do its homework. This sophisticated potato chip market has seen it all—from beef- to prawn-flavored chips—and the only way to compete there is through innovation.

**Trade Shows Introduce Products**

An effective avenue for introducing products to the export market is trade shows. These shows are held around the world and provide an excellent opportunity for exporters to exhibit their products to a large audience.

An alternative to traveling to a foreign trade show is to participate in the National Food and Agriculture Exhibition scheduled for the spring of 1989 in Boston. This is a national exhibit aimed at the export market. It costs much less than a foreign show and the travel arrangements are simpler.

For more information on this export show, contact the National Association of State Departments of Agriculture, Attn: J. B. Grant, Room 710, 1616 H Street, N.W., Washington, DC 20006. Tel. (202) 628-1566.

In an effort to defray the cost of trade shows and make them available to more exporters, several government organizations sponsor booths. State departments of agriculture and trade associations are heavily involved in this type of promotion. They also are good contacts for export information and assistance.

Trade associations also are a good source for helping exporters set a competitive price for their product overseas. For example, California's Wine Institute is very active in the United Kingdom and Japan. It has established lists of going prices for wine in these countries. In addition, it monitors sales volume and competition for wine in these markets.

**Make Contacts, Establish Relationships**

There are a number of sources exporters need to contact before they can begin exporting. First is a banker or someone with international banking experience who can assist exporters with opening international letters of credit.

Exporters also need to employ both a good freight forwarder and someone to help with the movement of the product to foreign ports. Exporters also will need assistance with documentation. Export management companies and export trading companies can help with this. They are located in port cities like New York.

Most importantly, exporters need to maintain good contact with prospective buyers in order to establish and expand markets.

**A Home Away From Home**

FAS has 15 agricultural trade offices around the world to assist U.S. exporters in making contacts overseas. The trade officer there often acts as a marketing consultant—providing product samples to prospective buyers. If exporters travel overseas, they may make the trade office their base of operation.

The trade officer can provide information on local markets and locate contacts tailored to individual exporters.

The trade officer also can advise exporters on how to do business in a particular market. For example, the Japanese won't consider a firm's product until they've formed a relationship with the company's representatives. In the Netherlands, exporters are advised to bring their prices—brokers want to know the bottom line.

For more information on USDA's programs, contact the High-Value Products Division, Room 4649-South Building, 14th and Independence, S.W., Washington, DC 20250. Tel. (202) 447-6343. ■

*The author is the director of the High Value Products Division, FAS. Tel. (202) 447-6343.*

# Country Briefs

**France**

**Fast-Food Restaurants Increase 20 Percent In 1986**

The number of fast-food restaurants in France increased by 20 percent in 1986 with an 18-percent increase in sales and a 14-percent increase in the number of meals served compared with 1985. Restaurants serving hamburgers accounted for three-fourths of total sales.

The 1,133 fast-food outlets now operating in France accounted for 3.6 percent of total restaurant sales in that country, compared to 2 percent in 1984.

Restaurants serving hamburgers remain the leading group in the fast food industry with 52 percent of the total number of restaurants and 75 percent of total sales. Restaurants serving so-called Viennese-bakery types of food account for 27 percent of fast-food restaurants (as compared to 30 percent in 1983) and 14 percent of sales (as compared to 20 percent in 1983). Fast-food restaurants serving exotic meals, salads and cookies also increased in both number and market share.

Roughly one-third of the fast-food restaurants are located in Paris and its close suburbs. An additional 4 percent are located in the region Ile de France. Most of the restaurants, out of Paris and its close suburbs, are not members of chain-type groups.—*Ernest Koenig, former Agricultural Counselor, Paris.*

**Japan**

**Food Service Industry Shows Continued Growth**

Japanese restaurants and hotels are already a major market for many U.S. foods and the industry's continuing growth should create even more opportunities for U.S. food products.

Since 1984, annual growth rates for food and beverage sales in Japanese restaurants, hotels and food shops have averaged better than 4.5 percent a year and their combined sales reached $80 million in 1986. Beverage service outlets—night clubs, coffee shops, beer gardens, sake pubs and other drinking places—represent the second largest institutional group with food and beverage sales of $41.5 million in 1986. They also were the fastest growing of the institutional outlets—with a sales gain of 6 percent over the year before. Mass feeding outlets—such as company cafeterias, hospitals, schools and social welfare facilities—sold $22.2 million worth of food and beverages last year and have achieved sales gains of 3.6 percent or better yearly since 1984.

It often is easier to sell U.S. products in the institutional market than the retail market because advertising and package design are less important to institutional sales. To succeed in the institutional market, however, U.S. food processors often find that they need to reduce their portion size, reduce the number of servings per container, adjust their seasonings and use fewer food additives.—*Suzanne Hale, Agricultural Trade Officer, Tokyo.*

**Frozen Food Use Tops 1 Million Tons for First Time**

Frozen food consumption in Japan rose 8 percent in 1986 and for the first time in history, total consumption of frozen foods exceeded 1 million tons. There was a significant increase in demand for frozen foods for both institutional and home use with production of frozen foods for institutional use increasing 6.8 percent and production of frozen foods for home use increasing by 2.9 percent. The home market is growing with the recent introduction of frozen entrees, but about three-fourths of all frozen foods manufactured in Japan continue to be for institutional use.

Imports of frozen vegetables jumped 19 percent from 1985 and there was a significant increase in the U.S. market share due to the stronger yen and stepped up promotions for U.S. potato products.—*Suzanne Hale, Agricultural Trade Officer, Tokyo.*

**Wine Imports Grow With U.S. Share Increasing**

Japanese demand for California wine is showing continued strong growth. During the first four months of 1987, total wine imports from the United States nearly doubled, and the U.S. market share rose to 18 percent. That was up 2 percentage points from the same period the year before. The main reasons for the large increase were the weaker dollar, an aggressive marketing program by the California Wine Institute and a recovery in consumer demand for wine, which had dropped sharply after publicity about contaminated European wine in mid-1985.

Distributors report good growth in demand for U.S. wine. Retail sales have been particularly strong due to price reductions. However, some distributors are finding it difficult to break into the important restaurant-hotel market which is dominated by European and Japanese wines. It is also difficult to market U.S. wines in the gift market.—*Suzanne Hale, Agricultural Trade Officer, Tokyo.*

**Korea**

**Growing Popularity of Horse Racing Leads to Imports From the U.S.**

Horse racing is gaining popularity in Korea, resulting in increased imports of better quality horses. Last year Korea purchased over 300 race horses, including, for the first time, 100 horses from the United States. Riding horse imports have totaled only 150 head since 1982, but it is believed that Korea's participation in the equestrian events of the 1986 Asian games and the 1988 olympics in Seoul is generating more interest in competitive horseback riding.

Horse racing in Korea began in 1922 during the Japanese occupation. Korea's race horse inventory now stands at about 1,000 head, most of which originated in Australia or New Zealand. These origins have dominated the horse import market due to lower landed cost and fewer quarantine obstacles. The 1986 purchases from the United States reflected an interest in upgrading bloodlines.

All race horses imported to date have been purchased by the Korea Horse Affairs Association (KHAA) on a tender basis. The Association announced three tenders for 112 horses each in 1986 and plans to purchase the same quantity in 1987.

Korean horse purchases are made on a cash basis (sight draft letter of credit). The import duty for all race horses, and for riding horses purchased outside Association channels, is 20 percent. Race horses are purchased by the Korea Horse Affairs Association with proceeds from horse races. Private individuals finance their own riding horse purchases.—*Daniel B. Conable, former Agricultural Counselor, Seoul.*

**Spain**

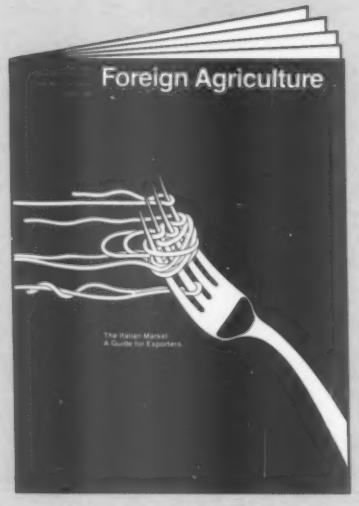
**More Pets Create Demand for Dry and Canned Foods**

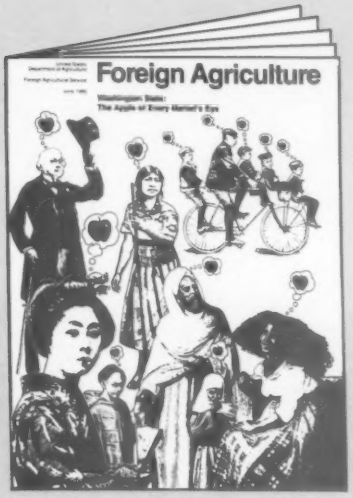
A sizable expansion in the number of dogs and cats kept as pets has led to a surge in Spain's production of dog and cat foods. During the past five years, industry estimates indicate dog and cat food output has increased fivefold to about 60,000 tons in 1986. Prospects are for an additional 100–percent increase at the end of the five-year period 1987-91.

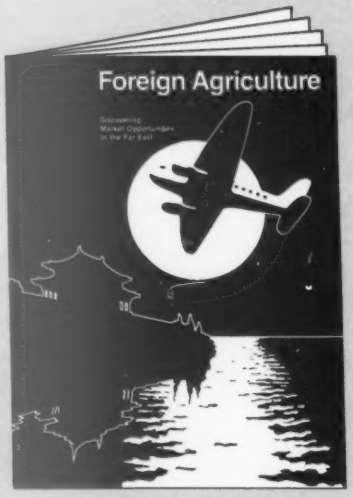
During the 1982-86 period, dog food was continually the largest category of pet food produced and consumed in Spain, and in 1986 constituted approximately 85 percent of the dog-cat food aggregate. The major portion—about 60 percent—was the cheaper priced dry food and the balance was canned ("wet") food.

The Spanish dog and cat food industry makes use of a variety of ingredients which the United States could supply, depending on price and quality. Among these items are 48-percent protein-micronized soybean meal, full-fat soybeans, corn flakes, meat and bone meal and dehydrated vegetables such as carrots. Spain also imports, mostly from other EC countries at this point, an estimated $1 million a year worth of biscuits and mash food for dogs and cats.

The surge in Spain's pet population in recent years is attributed to a combination of social, status and security factors. The increase in pets has gone hand in hand with the increase in the number of couples without children, one-child families and unmarried people. The possession of pedigreed animals has also become a sign of social status in Spain, much as was the car several years ago. In addition, the fear of crime and terrorism have created a desire for protection which a dog can offer at a reasonable cost.—*Edmund L. Nichols, Agricultural Counselor, Madrid.*

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